

HOUSE BILL No. 1359

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-1-3.5; IC 6-3-2-3.7.

Synopsis: Tax deduction for federal civil service retirement benefits. Provides an adjusted gross income tax deduction for the entire taxable portion of amounts received by an individual from a federal civil service annuity. Repeals a provision that allows a deduction of up to \$2,000 received from a federal civil service annuity.

Effective: January 1, 2000.

Steele

January 12, 1999, read first time and referred to Committee on Ways and Means.



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First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

HOUSE BILL No. 1359

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-3-1-3.5 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3.5. When used
3 in IC 6-3, the term "adjusted gross income" shall mean the following:
4 (a) In the case of all individuals, "adjusted gross income" (as
5 defined in Section 62 of the Internal Revenue Code), modified as
6 follows:
7 (1) Subtract income that is exempt from taxation under IC 6-3 by
8 the Constitution and statutes of the United States.
9 (2) Add an amount equal to any deduction or deductions allowed
10 or allowable pursuant to Section 62 of the Internal Revenue Code
11 for taxes based on or measured by income and levied at the state
12 level by any state of the United States or for taxes on property
13 levied by any subdivision of any state of the United States.
14 (3) Subtract one thousand dollars (\$1,000), or in the case of a
15 joint return filed by a husband and wife, subtract for each spouse
16 one thousand dollars (\$1,000).
17 (4) Subtract one thousand dollars (\$1,000) for:



- 1 (A) each of the exemptions provided by Section 151(c) of the
2 Internal Revenue Code;
- 3 (B) each additional amount allowable under Section 63(f) of
4 the Internal Revenue Code; and
- 5 (C) the spouse of the taxpayer if a separate return is made by
6 the taxpayer, and if the spouse, for the calendar year in which
7 the taxable year of the taxpayer begins, has no gross income
8 and is not the dependent of another taxpayer.
- 9 (5) Subtract five hundred dollars (\$500) for each of the
10 exemptions allowed under Section 151(c)(1)(B) of the Internal
11 Revenue Code for taxable years beginning after December 31,
12 1996, and before January 1, 2001. This amount is in addition to
13 the amount subtracted under subdivision (4).
- 14 (6) Subtract an amount equal to the lesser of:
- 15 (A) that part of the individual's adjusted gross income (as
16 defined in Section 62 of the Internal Revenue Code) for that
17 taxable year that is subject to a tax that is imposed by a
18 political subdivision of another state and that is imposed on or
19 measured by income; or
- 20 (B) two thousand dollars (\$2,000).
- 21 (7) Add an amount equal to the total capital gain portion of a
22 lump sum distribution (as defined in Section 402(e)(4)(D) of the
23 Internal Revenue Code), if the lump sum distribution is received
24 by the individual during the taxable year and if the capital gain
25 portion of the distribution is taxed in the manner provided in
26 Section 402 of the Internal Revenue Code.
- 27 (8) Subtract any amounts included in federal adjusted gross
28 income under Internal Revenue Code Section 111 as a recovery
29 of items previously deducted as an itemized deduction from
30 adjusted gross income.
- 31 (9) Subtract any amounts included in federal adjusted gross
32 income under the Internal Revenue Code which amounts were
33 received by the individual as supplemental railroad retirement
34 annuities under 45 U.S.C. 231 and which are not deductible under
35 subdivision (1).
- 36 (10) Add an amount equal to the deduction allowed under Section
37 221 of the Internal Revenue Code for married couples filing joint
38 returns if the taxable year began before January 1, 1987.
- 39 (11) Add an amount equal to the interest excluded from federal
40 gross income by the individual for the taxable year under Section
41 128 of the Internal Revenue Code, if the taxable year began
42 before January 1, 1985.

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(12) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

(13) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(14) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2, IC 12-10-6-3, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(15) Subtract an amount equal to the amount that is received by the individual during the taxable year from a federal civil service annuity and included in adjusted gross income under Section 62 of the Internal Revenue Code.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States or for taxes on property levied by any subdivision of any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(c) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) reduced by income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

SECTION 2. IC 6-3-2-3.7 IS REPEALED [EFFECTIVE JANUARY 1, 2000].

SECTION 3. [EFFECTIVE JANUARY 1, 2000] **IC 6-3-1-3.5, as**



1 amended by this act, applies to taxable years beginning after
2 December 31, 1999.

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